

House Engrossed Senate Bill

**FILED**

**KEN BENNETT  
SECRETARY OF STATE**

State of Arizona  
Senate  
Forty-ninth Legislature  
Second Regular Session  
2010

CHAPTER 268

## **SENATE BILL 1045**

AN ACT

REPEALING SECTION 41-3010.01, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 27, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-3012.19; RELATING TO THE STATE COMPENSATION FUND.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Repeal

3 Section 41-3010.01, Arizona Revised Statutes, is repealed.

4 Sec. 2. Title 41, chapter 27, article 2, Arizona Revised Statutes, is  
5 amended by adding section 41-3012.19, to read:

6 41-3012.19. State compensation fund; termination July 1,  
7 2012

8 A. THE STATE COMPENSATION FUND BOARD OF DIRECTORS TERMINATES ON  
9 JULY 1, 2012.

10 B. TITLE 23, CHAPTER 6, ARTICLE 5 IS REPEALED ON JANUARY 1, 2013.

11 Sec. 3. Purpose

12 Pursuant to section 41-2955, subsection B, Arizona Revised Statutes,  
13 the legislature temporarily continues the state compensation fund to help  
14 employers in this state obtain mandatory workers' compensation insurance for  
15 their employees and to provide for a transition period to allow the state  
16 compensation fund board of directors to establish a successor mutual insurer  
17 corporation to the state compensation fund.

18 Sec. 4. State compensation fund; successor mutual insurer  
19 corporation; transfer of assets and liabilities by  
20 operation of law

21 A. On or before January 1, 2013, the state compensation fund board of  
22 directors, which terminates on July 1, 2012 pursuant to section 41-3012.19,  
23 Arizona Revised Statutes, shall perform all acts necessary to establish a  
24 successor mutual insurer corporation. The successor mutual insurer  
25 corporation shall operate to the same extent as any mutual casualty insurer  
26 that is licensed and authorized to write insurance in this state, subject to  
27 the authority and regulation by the department of insurance pursuant to title  
28 20, chapter 4, article 1, Arizona Revised Statutes, and with all the powers  
29 and subject to all the laws, rules and requirements of a mutual insurer  
30 corporation that is organized under the laws of this state.

31 B. On or before January 1, 2011, the state compensation fund board of  
32 directors shall provide a report to the governor, the president of the senate  
33 and the speaker of the house of representatives that calculates the value, if  
34 any, of state equity or other state financial interests in the state  
35 compensation fund and provide a copy of the report to the secretary of state.

36 C. The state compensation fund board of directors shall perform all  
37 necessary acts to file articles of incorporation of the successor mutual  
38 insurer corporation and shall take all necessary actions to qualify for a  
39 certificate of authority as provided in section 20-706, Arizona Revised  
40 Statutes.

41 D. Beginning January 1, 2013, the successor mutual insurer corporation  
42 shall become the successor in interest to all the assets and liabilities of  
43 the state compensation fund without any conveyance or transfer and without  
44 any further act or deed and shall be vested by operation of law with title to  
45 all property of the state compensation fund. The successor mutual insurer

1 corporation is responsible for the obligations of the state compensation fund  
2 to the same extent as though incurred originally by the mutual insurer  
3 corporation, including obligations assumed by intergovernmental agreements  
4 with the industrial commission of Arizona regarding the processing of claims  
5 pursuant to section 23-966, Arizona Revised Statutes. The successor mutual  
6 insurer corporation is not an agency of this state or a public entity of this  
7 state. The successor mutual insurer corporation shall not use the term  
8 "state compensation fund" or "SCF" in its new name or logo from and after  
9 June 30, 2014.

10 Sec. 5. State compensation fund; transitional board of  
11 directors

12 A. Notwithstanding section 23-981.01, Arizona Revised Statutes, the  
13 state compensation fund board of directors consists of seven members, with  
14 the two additional board members appointed by the governor to join the board  
15 of directors currently serving pursuant to section 23-981.01, Arizona Revised  
16 Statutes. The two additional board members are not required to be  
17 policyholders or employees of policyholders of the state compensation fund,  
18 but shall not have any interest as a stockholder, employee, attorney, agent,  
19 broker or contractor of any other insurance entity who writes workers'  
20 compensation insurance in this state or whose affiliates write workers'  
21 compensation insurance in this state. The two additional board members shall  
22 have experience in the following areas:

23 1. One member shall have at least ten years of substantial property  
24 and casualty insurance expertise.

25 2. One member shall have at least ten years of substantial business or  
26 financial management expertise.

27 B. The term of office of the two additional board members begins on  
28 the effective date of this act and continues until the state compensation  
29 fund board of directors terminates on July 1, 2012.

30 Sec. 6. Industrial commission rule making

31 On or before January 1, 2013, the industrial commission of Arizona  
32 shall adopt rules as necessary to conform to the termination of the state  
33 compensation fund and state compensation fund board of directors.

34 Sec. 7. Conforming legislation

35 The legislative council staff shall prepare proposed legislation  
36 conforming the Arizona Revised Statutes to the termination of the state  
37 compensation fund and the state compensation fund board of directors for  
38 consideration in the fiftieth legislature, first regular session.

39 Sec. 8. Retroactivity

40 Sections 1, 2 and 4 of this act are effective retroactively to July 1,  
41 2010.

~~APPROVED BY THE GOVERNOR MAY 7, 2010.~~

~~FILED IN THE OFFICE OF THE SECRETARY OF STATE MAY 7, 2010.~~